



LOUISIANA FIRE CHIEFS ASSOCIATION

51st Annual LFCA Conference

MAY 4, 2024



FIREFIGHTERS' RETIREMENT SYSTEM

3100 Brentwood Drive
Baton Rouge, LA 70809

Phone: (225) 925-4060

Fax: (225) 925-4062

Website: www.ffret.com

(www.lafrs.org)

FRS Overview

Created in 1980 by State Legislature

One of 9 statewide retirement systems

Governed by eleven-member board of trustees

145 Fire Departments

MEMBERSHIP

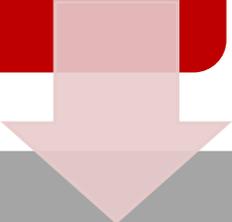
Any full-time firefighter employed by a municipality, parish or fire protection district shall become a member of FRS as a condition of employment

Any person in a position as defined in the municipal fire and police civil service system (position does not have to be Civil Service) who is employed by a fire department of a municipality, parish, or fire protection district of the State of Louisiana (with a few exceptions)

- No person who has attained age 50 or over shall become a member of FRS unless by reason of merger
- No person receiving a disability retirement benefit from another pension plan shall be eligible for membership in FRS
- Employer must complete enrollment process within 180 days of date of hire
- Full-time is defined as working (including PTO) an average of at least 35 hours per week per monthly reporting period (calendar month) AND earns at least \$375/month, excluding state supplemental pay

What about a rehired retiree on a part-time basis?

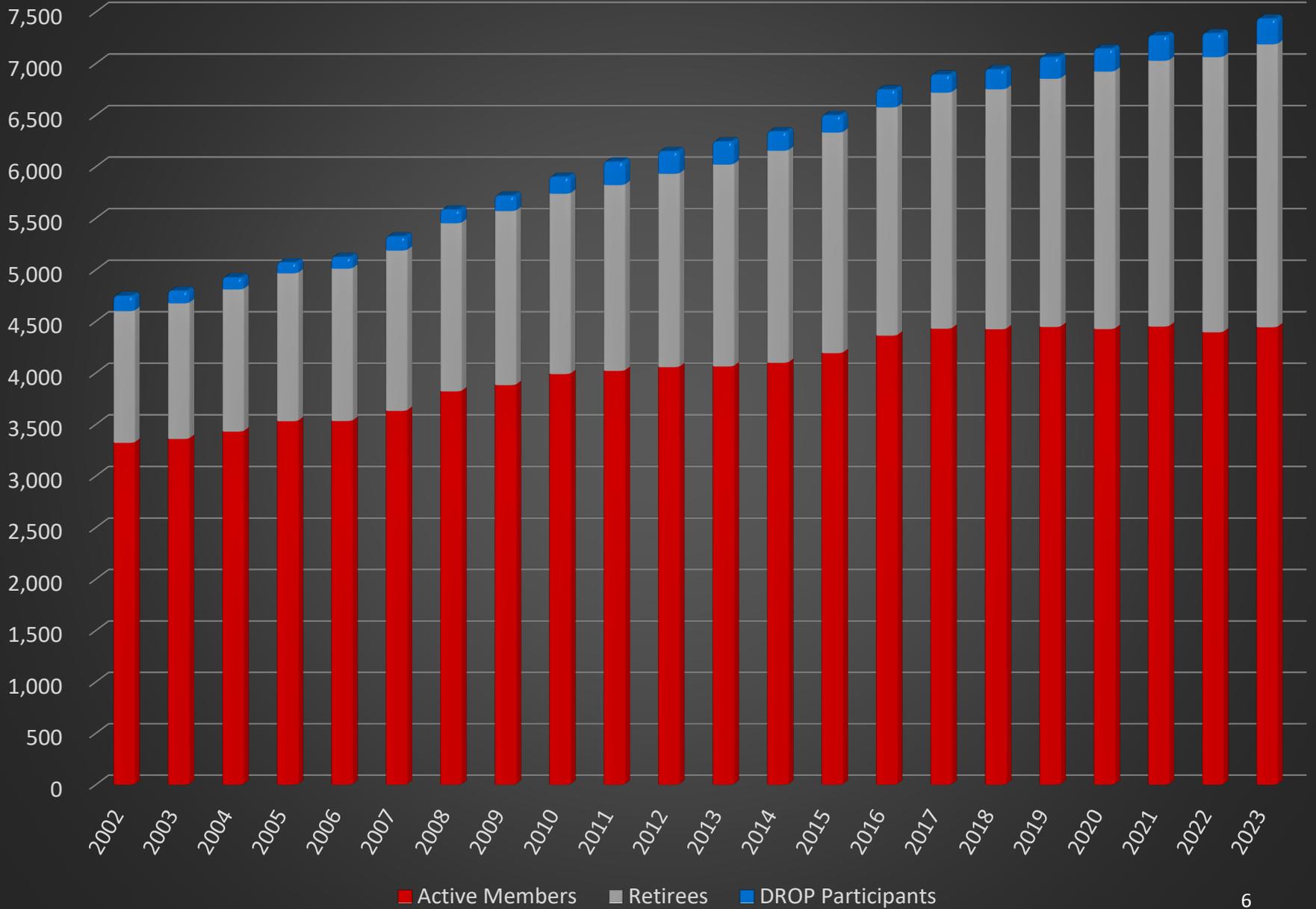
Any employee whose **employer is also covered by mandatory social security** may elect not to become a member of FRS by filing an affidavit with FRS. The employee shall be refunded his/her employee contributions.



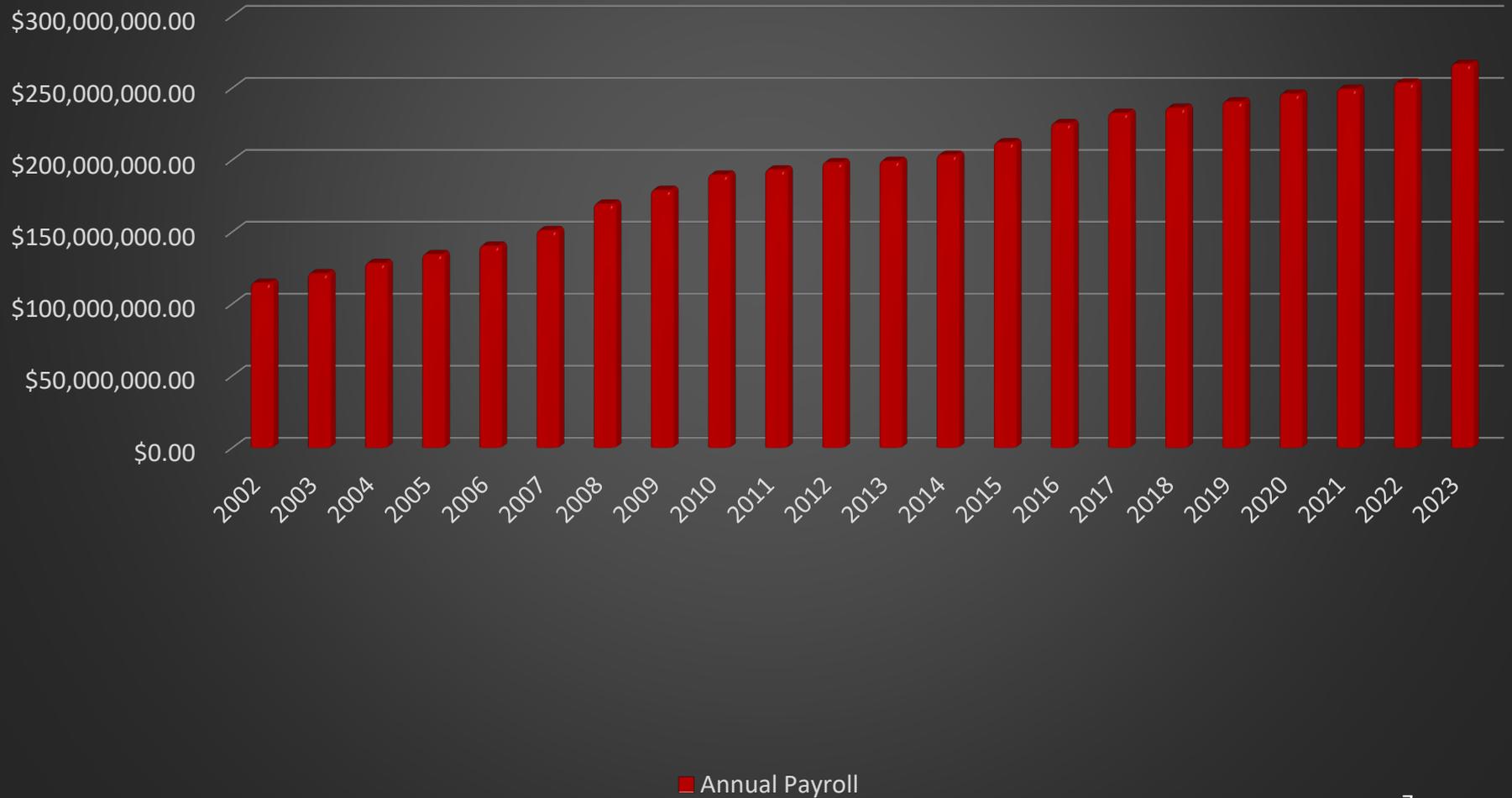
The election to “Opt-Out” is a **one-time irrevocable election** if the employee remains employed with an employer that is also covered by mandatory social security.

Optional Membership

Change in Membership Demographics Over Time



Change in Members' Total Annual Payroll Over Time



Defined
Benefit Plan

RETIREMENT BENEFITS
ARE BASED UPON A
DEFINED BENEFIT
FORMULA

EMPLOYEE AND
EMPLOYER
CONTRIBUTIONS DO
NOT DETERMINE
BENEFITS



Benefit Formula

AVERAGE FINAL COMPENSATION
(AFC)

X 3.33%

X YEARS OF SERVICE

=

MAXIMUM RETIREMENT BENEFIT

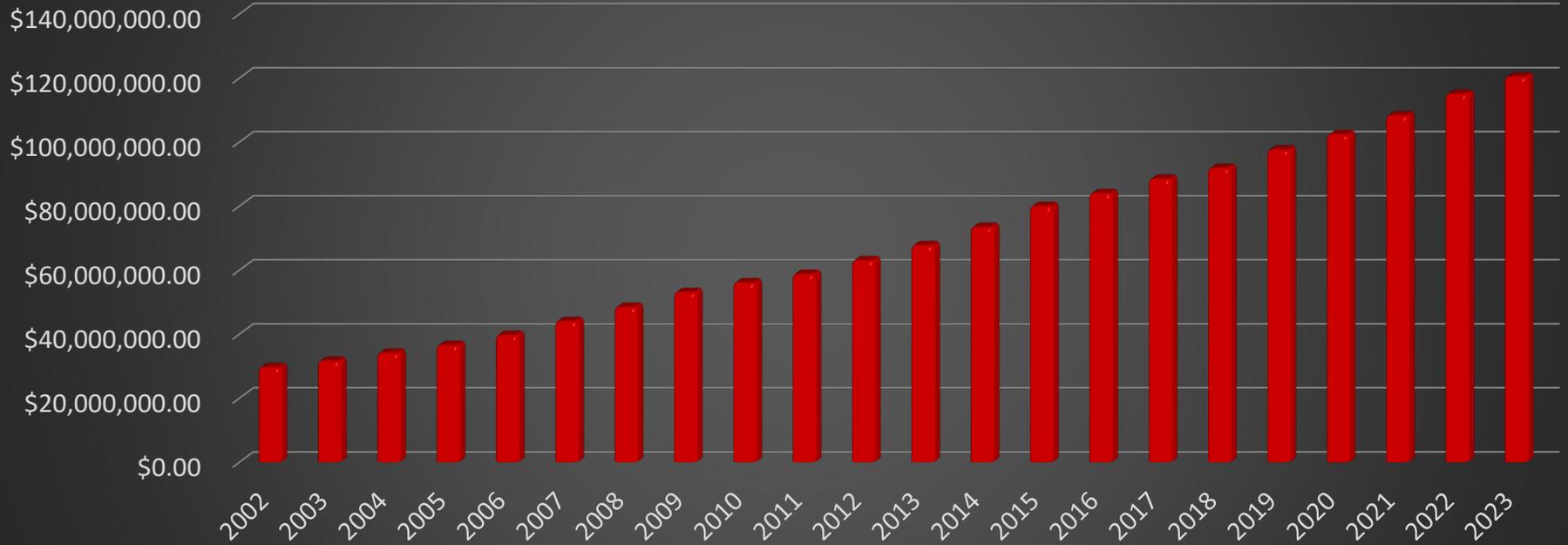
Retirement Eligibility

Years of Service	Age	Percentage
12	55	40%
20	50	66%
25	Any	83%
30	Any	100%

If an employee started in the system at the age of 18 with no break in service or refund, they would be eligible to retire at 100% of their Average Final Compensation (AFC) as a benefit for the remainder of their life at the age of 48.

Assume that the AFC was \$100,000. Their lifetime benefit would be \$100,000 per year. However, they could also enter DROP for 3 years, and retire at the age of 51 with a lifetime annual benefit of \$100,000 and have \$300,000 in their DROP account.

Change in Annual Benefit Payment Over Time



■ Annual Benefit Payment

Funding Sources

Employee contributions 8% to 10%

Investment Earnings 6.9%

Insurance Premium Tax Fund Formula

Employer contributions
Fluctuates



Contributions

Both Employee and Employer Contributions are based on earnable compensation.

- Earnable Compensation is the full amount of compensation earned by an employee on a regular tour of duty.
- Earnable compensation and contributions are self-reported by employers to FRS on a monthly basis.

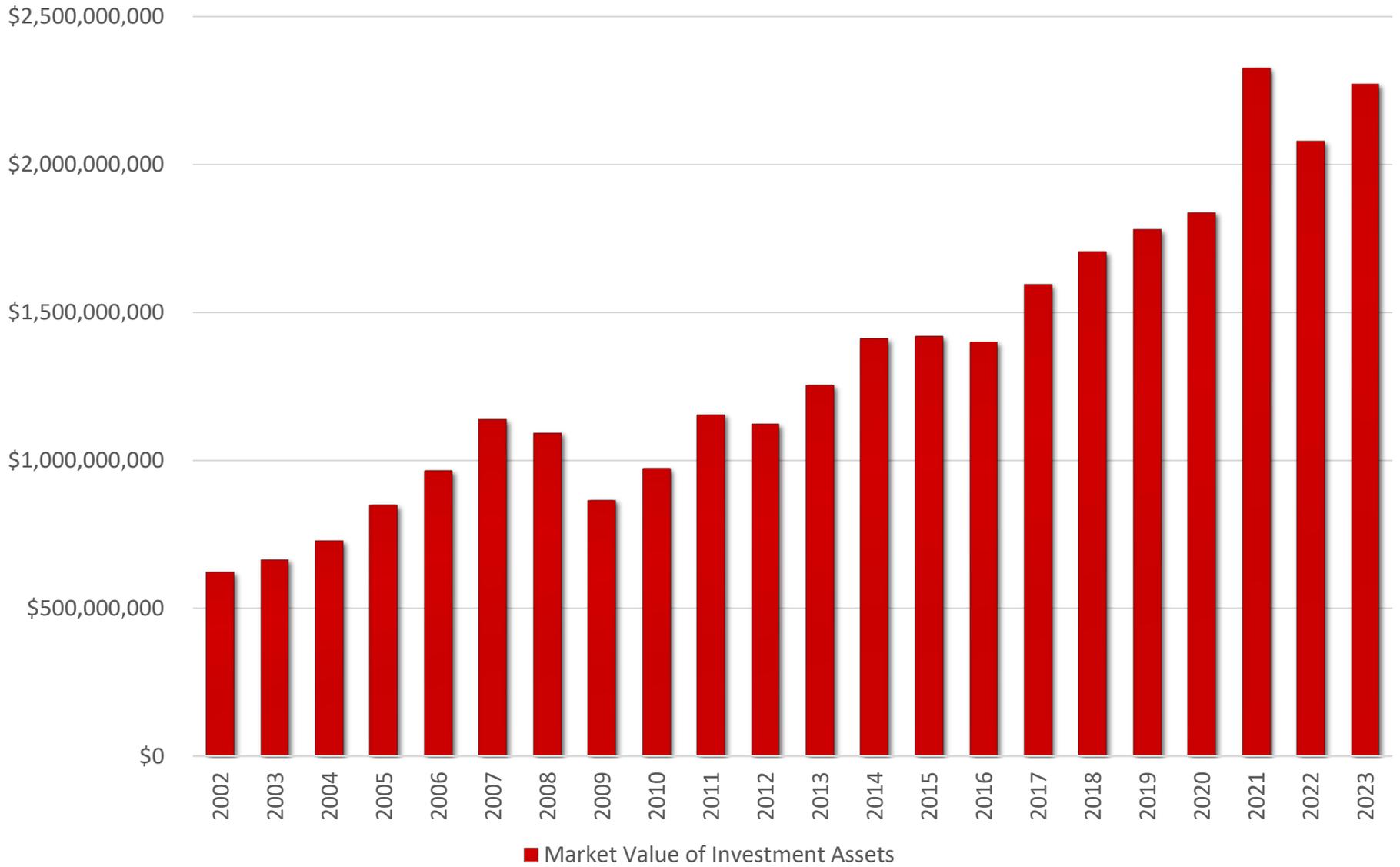
INCLUDES the following:

- Supplemental pay paid by state of Louisiana
- Educational incentive pay
- Holiday pay (*if employer defers the payment of regularly scheduled holiday pay and pays to employee in the same calendar year, include in earnable compensation*)
- Seniority incentive pay
- Pay to an employee acting in a civil service classification higher than the one held (*step up pay*)

EXCLUDES the following:

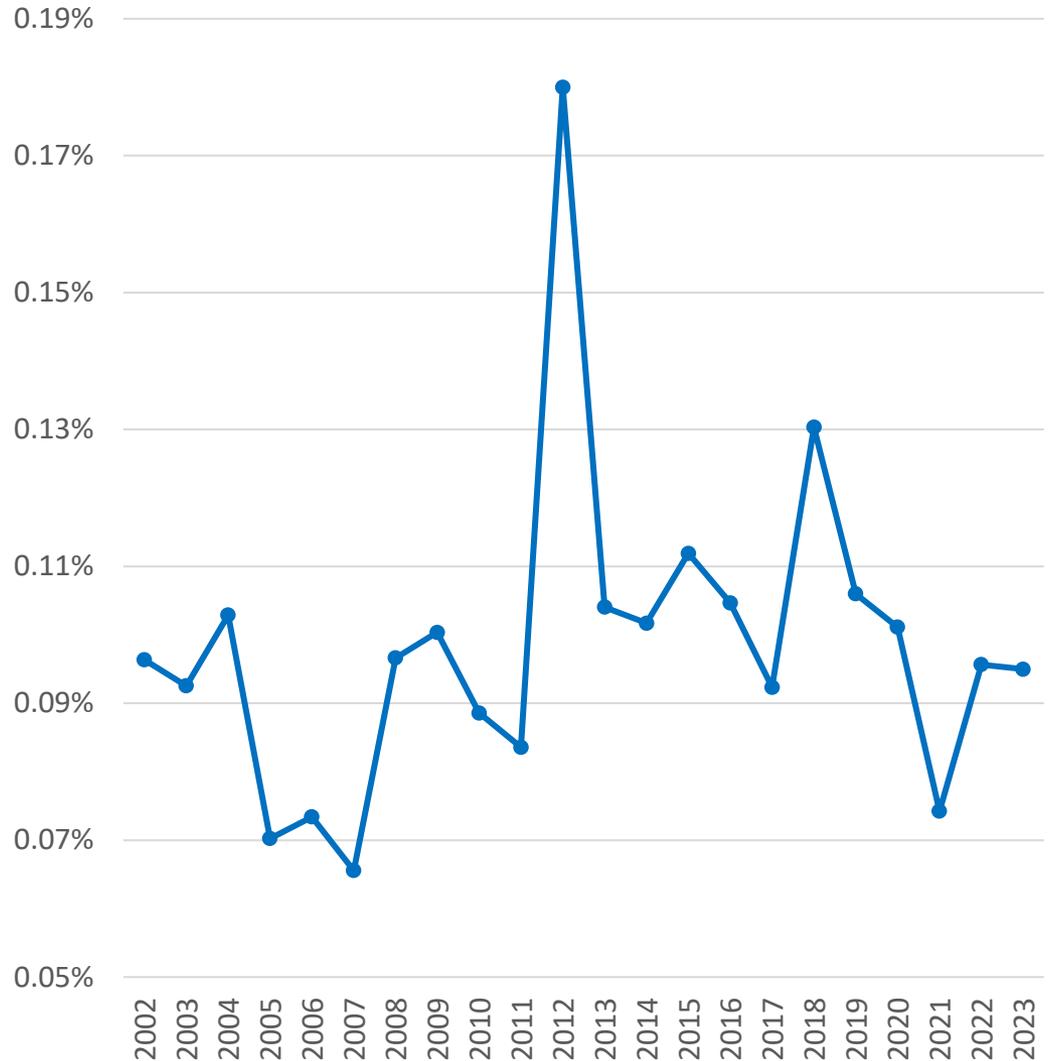
- overtime except for overtime worked as part of a normal tour of duty
- Payments in lieu of unused annual or sick leave
- Bonuses
- Terminal pay
- Severance pay
- Any irregular or nonrecurring payment

Change in Investments Over Time

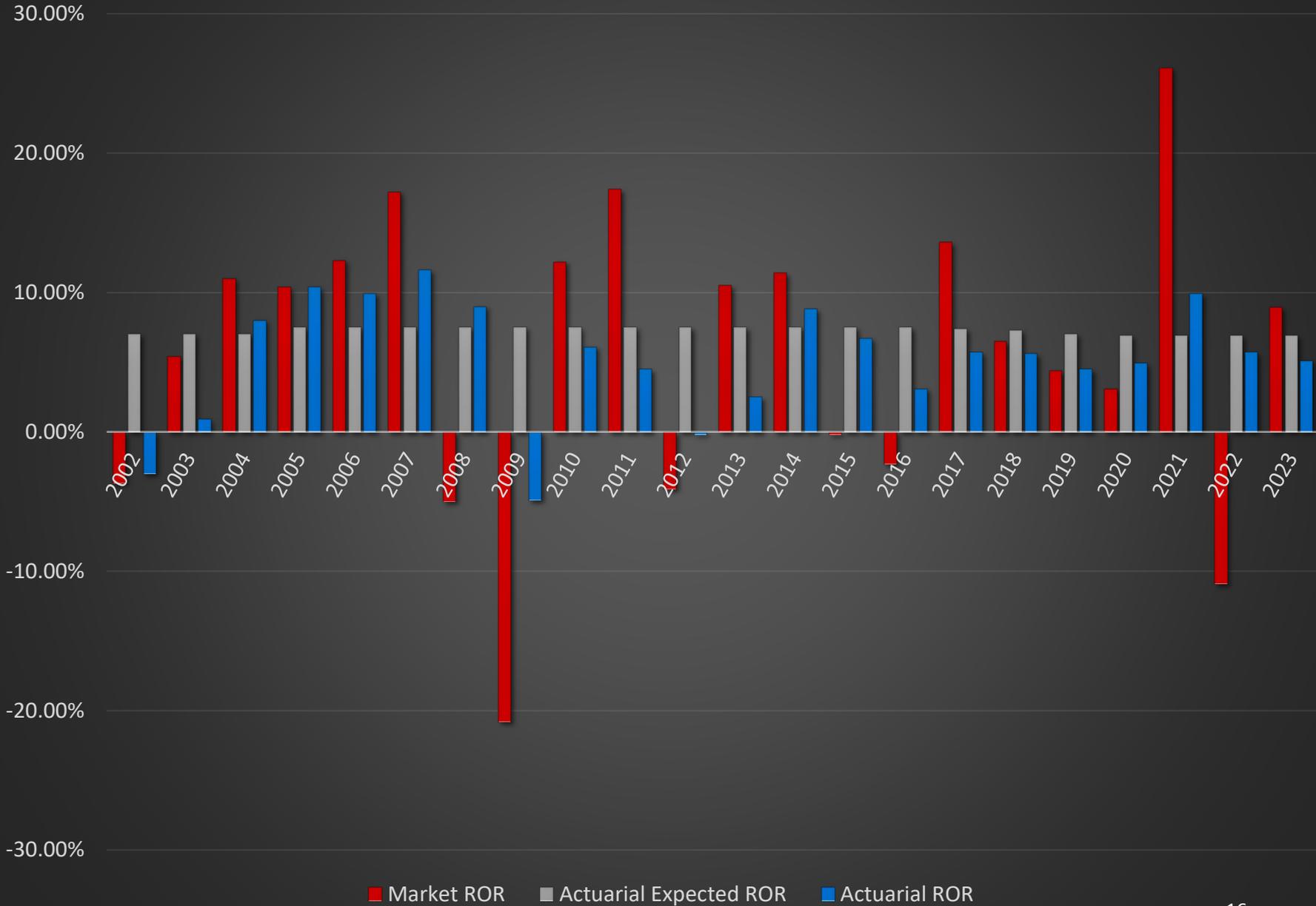


% of Administration Costs to Market Value of Investments

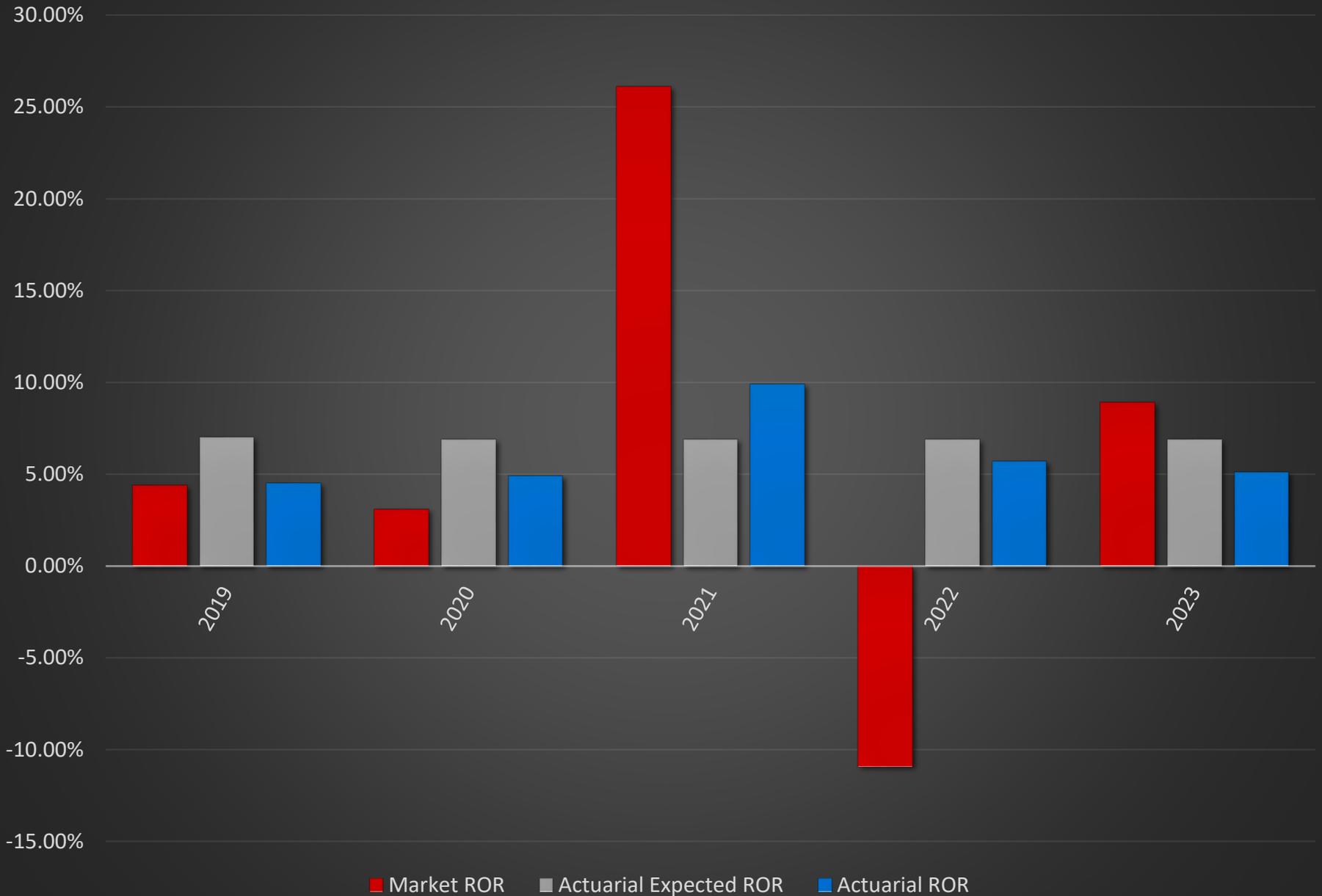
% of Admin Costs to MV



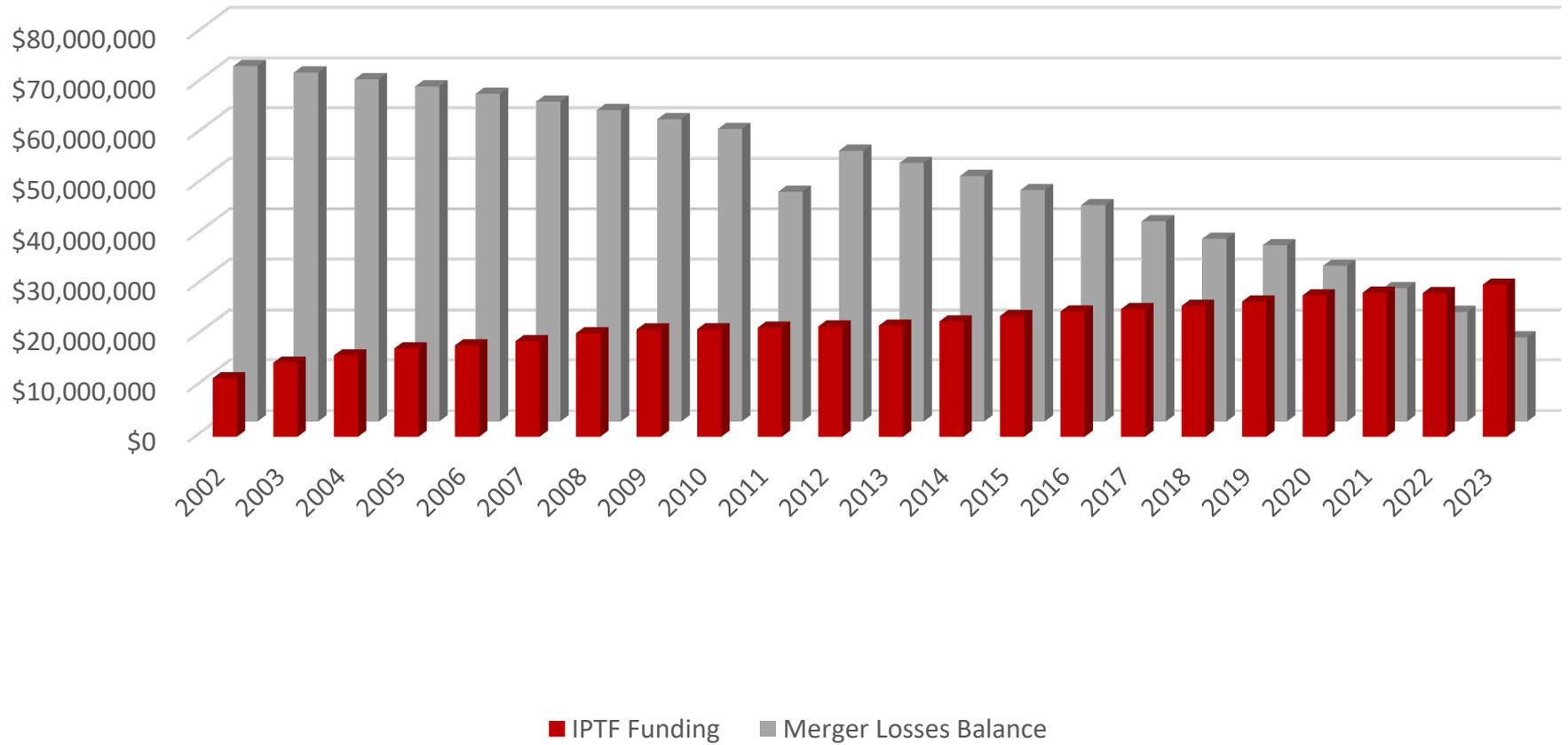
Investment Rate of Return Over a Period of Time



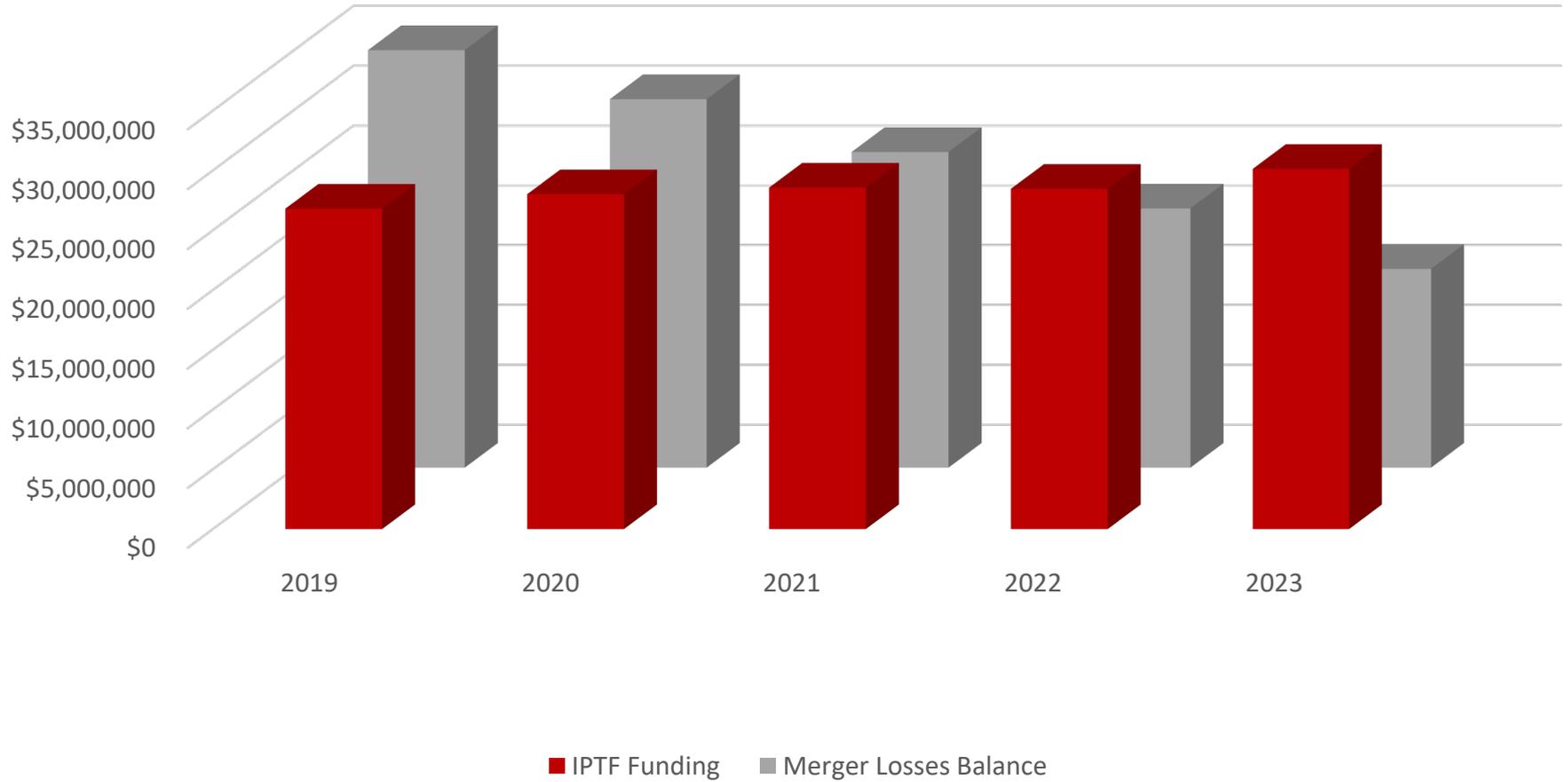
Investment Rate of Return Over a Period of Time



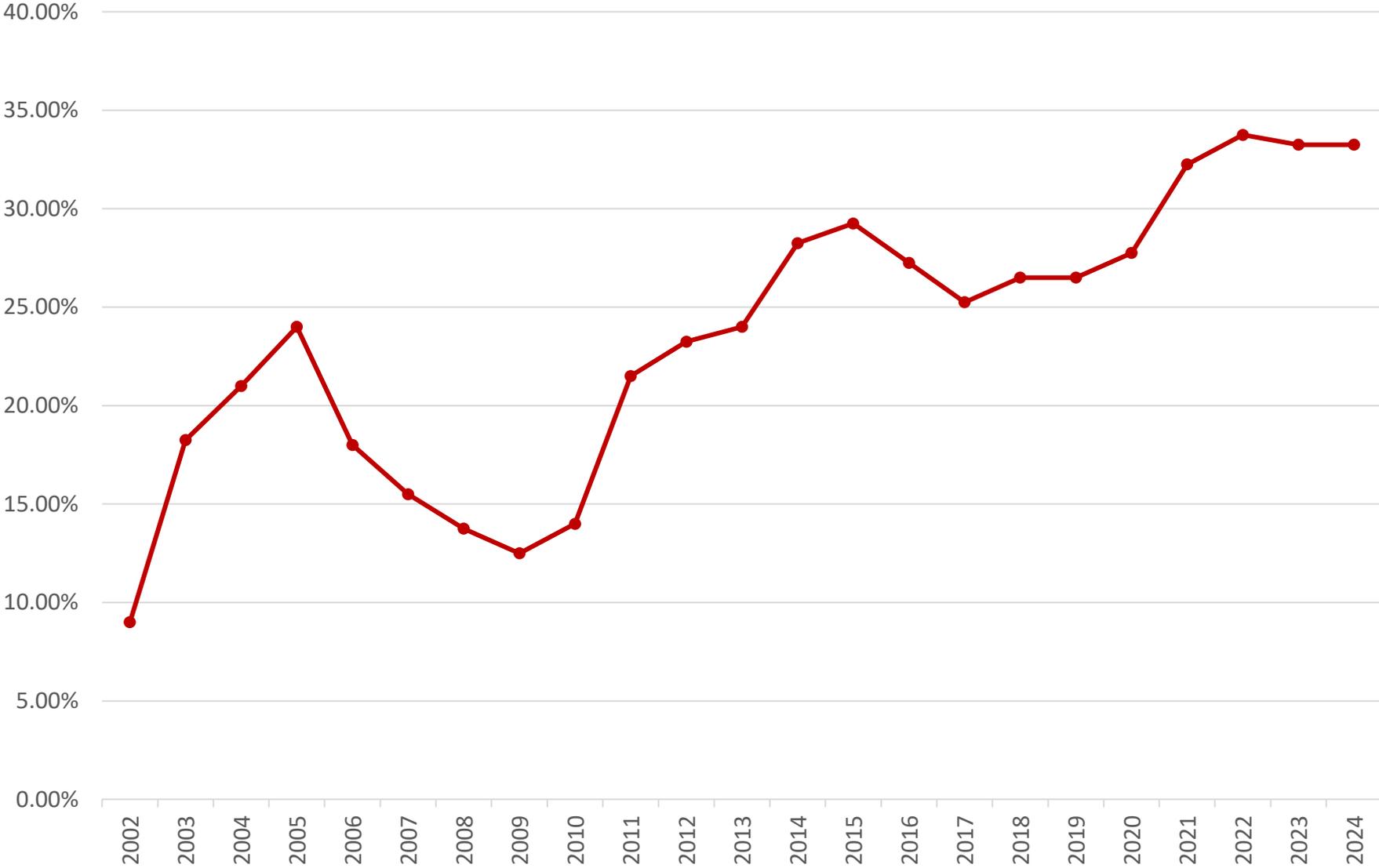
IPTF Funding Comparison to Merger Loss Balances 2002 - 2023



IPTF Funding Comparison to Merger Loss Balances 2019 - 2023



Employer Contribution Rate



How is the
Employers'
Annual
Actuarially
Required
Contribution
(ARC)
Calculated

SIMPLE EQUATION:

1. What do we owe?
2. What do we have?
3. What do we need (ARC)?

What is the Frozen Unfunded Accrued Liability (UAL)

Act 91 of the 2019 Regular Legislative Session froze accumulated costs and losses of the plan that occurred prior to 2019 and scheduled them to be re-amortized over 15 years (2033)

- Unfunded COLAs
- Investment (Asset) Experience Losses
- Liability Assumption Losses
- Contribution Losses
- Merger Losses
 - Merger Losses are part of the UAL, but amortization is determined by statute instead of the 15 years
 - ✓ The last merger loss from 2011 will be paid in full in the year 2040
 - ✓ As a point of reference when the UAL was reviewed by Act 620 of the 2003 Legislative Session, total UAL was \$246 million, of which the merger losses totaled \$70 million.
 - ✓ As of June 30, 2019, total UAL was \$584 million, of which \$35 million was for merger losses.
 - ✓ As of June 30, 2023, total UAL was \$457 million, of which \$17 million was attributable to merger losses and \$440 million was the non-merger bases.

How is the Employers' Annual Actuarially Required Contribution (ARC) Calculated

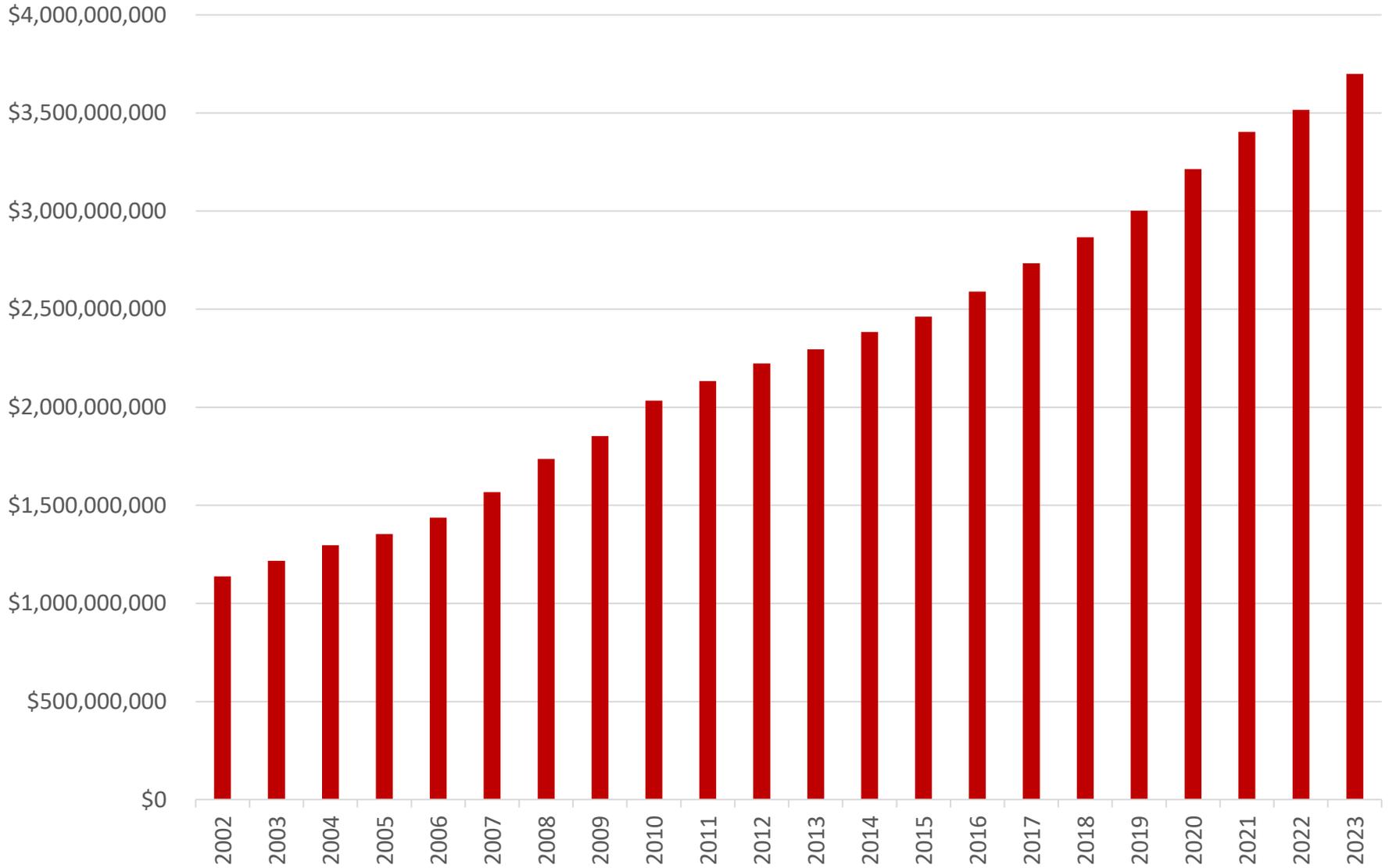
1. What do we owe?

Big Picture: This is the present value of future benefits (**Normal Costs**).

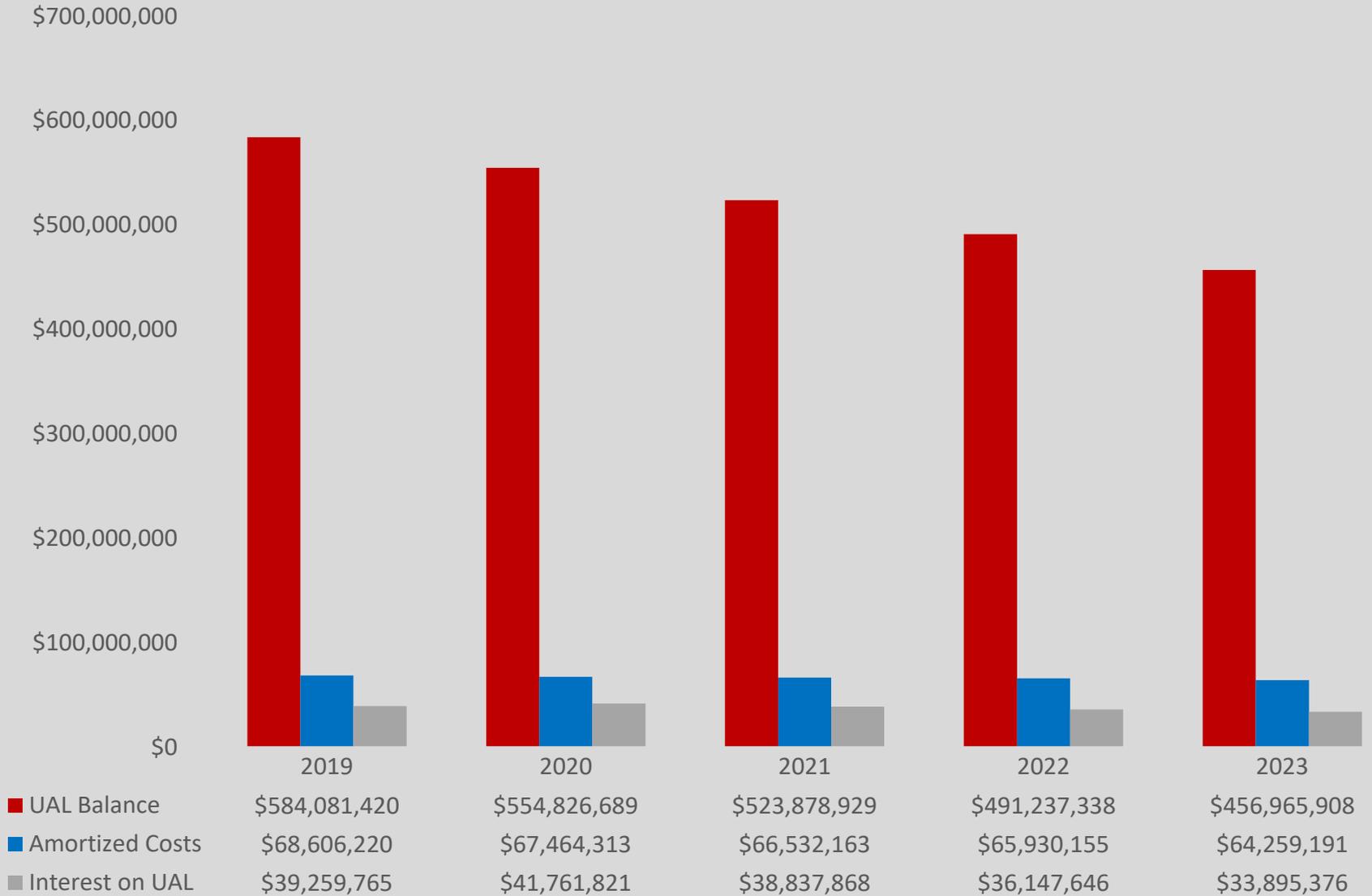
- Amount of money needed TODAY (June 30, 2023) to fully guarantee the benefits for everyone currently in the system.
- Normal costs do not include “non-normal” things, such as UAL.
- Normal costs do include experience gains/losses (since 2019).
- The frozen **unfunded accrued liability (UAL)** is cumulative debt as of FYE 2019 we have elected to reserve and pay over a period of time, at a cost. Annualized cost for UAL is the **frozen UAL amortized payment** for the year.
 - Extending the period of time for repayment increases the cost and risk that market fluctuations, changes in payroll, etc. will negatively impact funding.

Annual Cost: (1) **Annualized Normal Costs** (spread over the working life of current employees (active members)) PLUS (2) **Frozen UAL Amortization payment** (non-merger debt spread over 15 years and merger losses spread over statutorily required period) PLUS (3) **Administrative Expenses**

Total PV of Future Benefits



UAL Trend 2019-2023



How is the Employers' Annual Actuarially Required Contribution (ARC) Calculated

2. What do we have?

- (1) **actuarial value of our assets,**
- (2) **PV of future employee contributions** for current membership (based on the expected normal working life of our current population as of today at the statutorily set rate),
- (3) **funding deposit account credit balance,**
- (4) **expected insurance premium tax funding, and**
- (5) **total UAL balance.**

How is the Employers' Annual Actuarially Required Contribution (ARC) Calculated

3. What do we need (ARC)?

This is the amount necessary to close the gap between what we owe and what we have.

Assumptions:

a	PV of Total Future Salaries	\$2,975,352,624.00
b	Projected Annual Salary for Current Membership	\$267,101,349.00
c	Projected Payroll for Fiscal Year	\$276,742,883.00
d	Actuarial Expected Rate of Return on Assets (gray bar)	6.90%

What Do We Owe?

1	Total PV of Future Benefits	\$3,699,785,938.00
---	-----------------------------	--------------------

What Do We Have?

2	UAL Total Balance	\$456,965,908.00
3	Actuarial Value of Assets (blue line smoothing)	\$2,361,258,223.00
4	Funding Deposit Account	\$0.00
5	PV of Total Future Employee Contributions (10% x a)	<u>\$297,535,262.00</u>
6	PV of Total Future Employer Normal Costs (#1-#2-#3-#4-#5)	\$584,026,545.00
7	Annualized Employer Normal Cost Rate (#6 ÷ a)	19.63%

Assumptions:

a	PV of Total Future Salaries	\$2,975,352,624.00
b	Projected Annual Salary for Current Membership	\$267,101,349.00
c	Projected Payroll for Fiscal Year	\$276,742,883.00
d	Actuarial Expected Rate of Return on Assets (gray bar)	6.90%

What Do We Need?

8	Employer Normal Cost as of July 1 (beginning of FY) (#7 x b)	\$52,428,837.09
9	Interest on Employer Normal Cost for Half of Year ((#8 x d) ÷ 365) x 180)	\$1,778,626.32
10	Annualized Employer Normal Cost Adjusted for Interest (Mid-Year Payment)	\$54,207,463.41
11	Annualized UAL Amortized Payment (with interest at 6.9%, mid-year payment, over remaining 10 years)	\$64,259,191.00
12	Estimated Annual Administrative Costs	\$2,613,940.00
13	Annualized Employer Normal Costs, Amortization Payment, and Administrative Costs (#10 + #11 + #12)	\$121,080,594.41
14	Projected IPTF Collections for Year	\$31,181,383.00
15	ARC (#13 - #14)	\$89,899,211.41
16	Employer Contribution Rate (#15 ÷ c)	32.48%
17	Annualized Employee Contribution (b x 10%)	\$26,710,134.90
18	Annualized Total Plan Normal Costs (#10 + #17)	\$80,917,598.31

Current Employer Rate

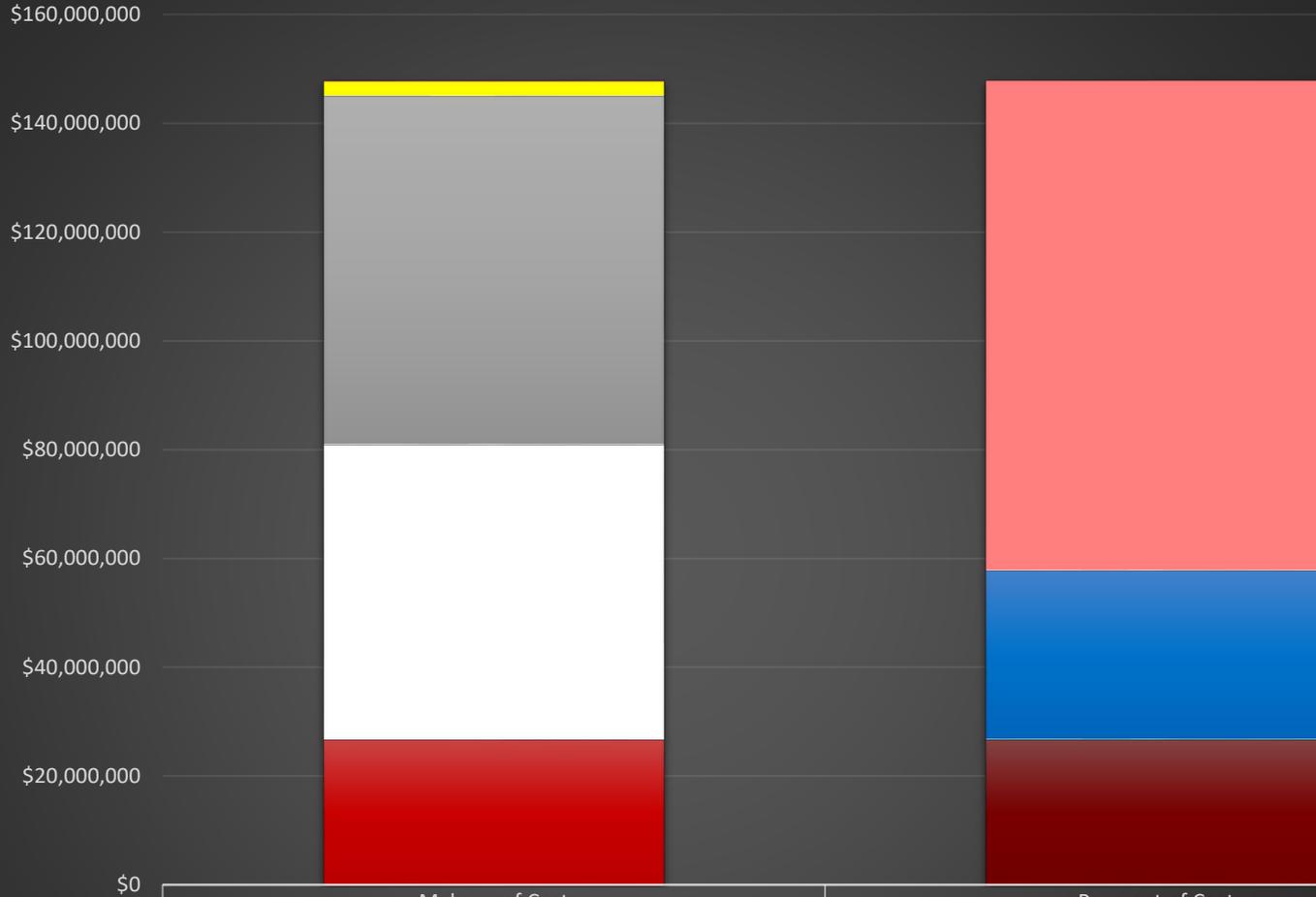
Net Direct Employer Actuarially Required Contributions as a ratio of the Projected Payroll

	FYE 2023 Actuarial Report	*FYE 2023
Employers' Normal Cost	\$54,207,463	\$54,207,463
Amortization Cost	\$64,259,191	
Estimated Administrative Cost	\$2,613,940	\$2,613,940
Total Employer Cost	\$121,080,594	\$56,821,403
Projected Insurance Premium Tax	(\$31,181,383)	
Net Direct Employer Actuarially Required Contributions	\$89,899,211	\$56,821,403
Projected Payroll	\$276,742,883	\$276,742,883
Actuarially Required Net Direct Employer Contribution Rate	32.48%	20.53%

IPTF is offset against employer cost only; no offset to employee cost

* Assumption made that all variables remain constant, the UAL is zero, and no Insurance Premium Tax is received.

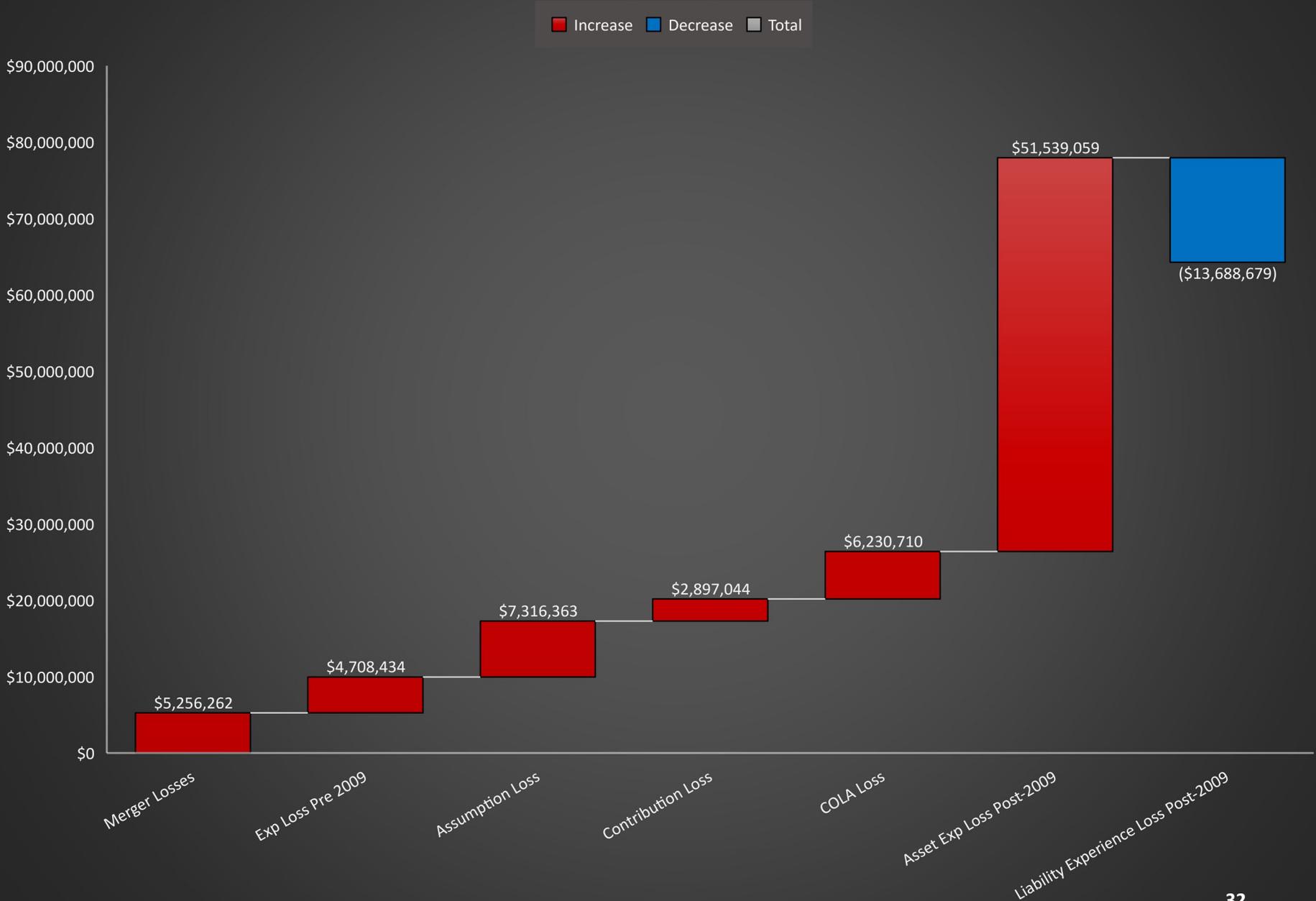
Breakdown of FRS Actuarial Costs for Fiscal 2024

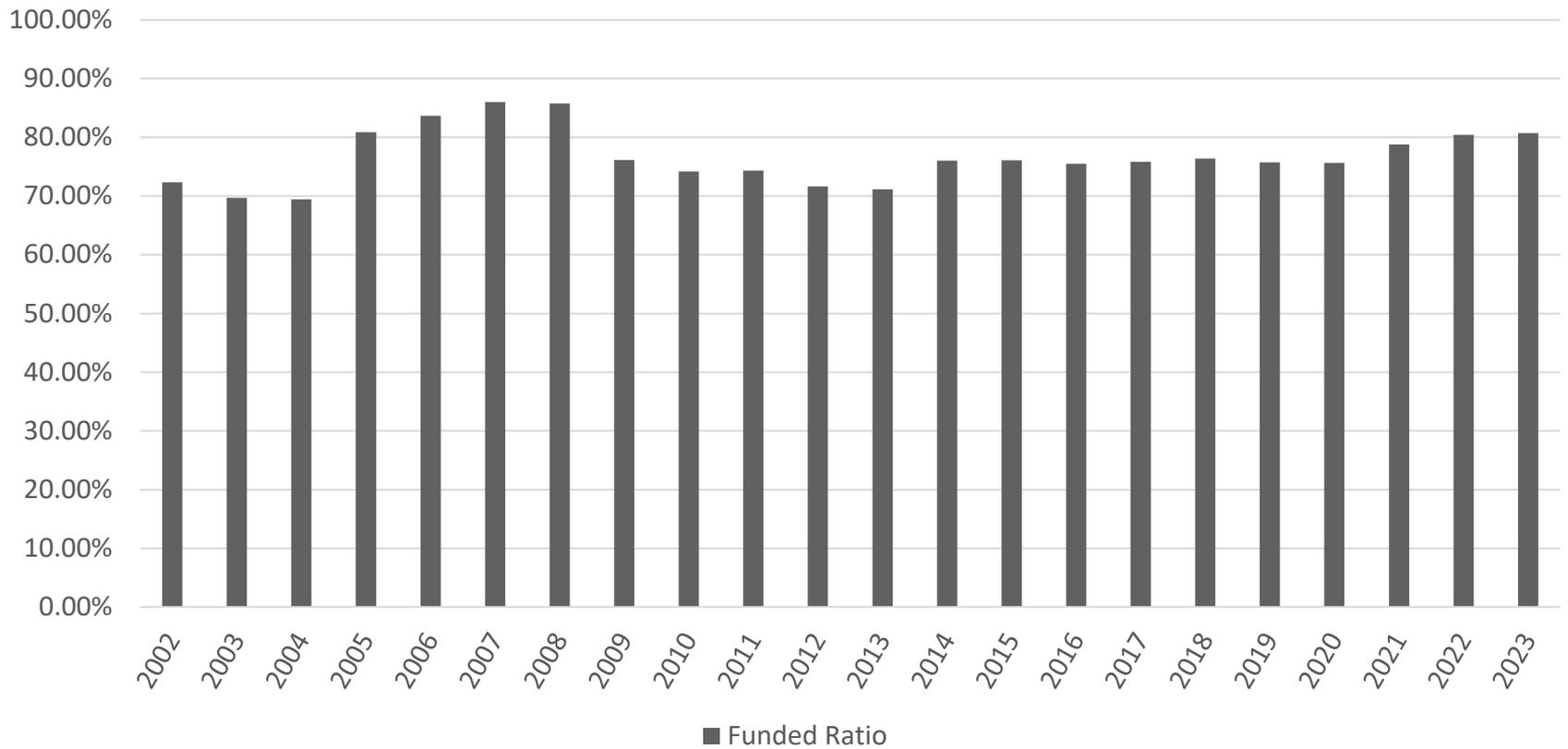


	Makeup of Cost	Payment of Cost
■ Employer Contributions		\$89,899,211
■ Estimated Insurance Premium Taxes		\$31,181,383
■ Employee Contributions		\$26,710,135
■ Estimated Admin Expenses	\$2,613,940	
■ Frozen UAL Amortization	\$64,259,191	
■ ER Normal Cost	\$54,207,463	
■ EE Normal Cost	\$26,710,135	

Breakdown of Frozen UAL Debt Payment for Fiscal 24

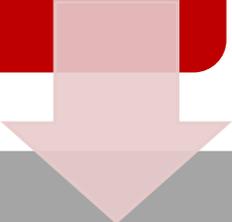
Total Payment = \$64,259,191





FRS Funded Ratio (2002 – 2023)

PENSION TECHNOLOGY GROUP
(PTG) – PENSION PRO™



FIREFIGHTERS'
RETIREMENT SYSTEM (FRS)
WEBPAGE FUNCTIONALITY

WHAT'S NEW?

PTG Pension Pro – Pension Administration Software

- Web-Based System
- Portal Accessible Through FRS Website
- Pension Administration Software Suite
 - Member Self Service Module
 - Employer Reporting Module
 - Electronic Document Management Capabilities



Current FRS Webpage Functionality & Highlights

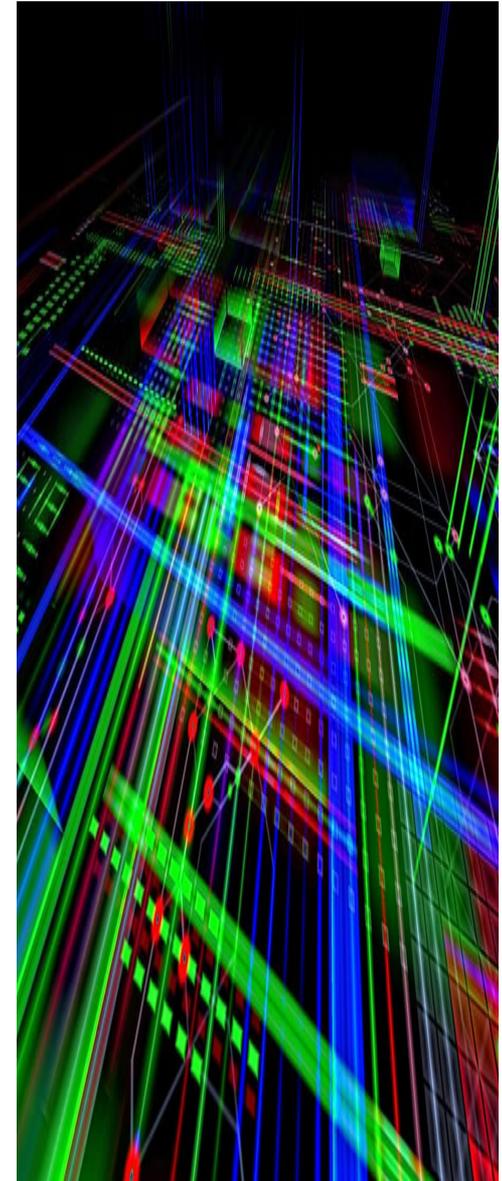
www.ffret.com

- HOME Page
- Meeting Notices & Agendas
- Minutes
- Forms
- Finance
- Investment
- Presentations
- Recordings
- PTG

Enhancements to the FRS Webpage and Functionality

www.lafrs.org

- Mobile Device Optimization
- Search Optimization
- Secure
- ADA Compliance and Certification
- Compact Design
 - ✓ Fewer Tabs
 - ✓ Member, Employer, Trustee
 - ✓ PTG Link





CHIEF INVESTMENT OFFICER
Michael Becker, CPA, CFA, CAIA
mbecker@ffret.com

B.S. - Accounting
 B.S. - Finance
 M.S. - Finance



INVESTMENT ANALYST
Daniel Loper
dloper@ffret.com

B.A. - Economics
 M.S. - Financial Economics



CHIEF FINANCIAL OFFICER
Layne McKinney, CPA
lmckinney@ffret.com

B.S. - Accounting



ACCOUNTANT
Benjamin Johnson, CPA
bjohnson@ffret.com

B.S. - Accounting
 M.B.A. - Business Administration



BENEFITS MANAGER
Caitlin Myers
cmyers@ffret.com

B.S. - Accounting



BENEFITS ANALYST
William Hall
whall@ffret.com

B.S. - Accounting



EMPLOYER LIAISON
Ashley Vicknair
avicknair@ffret.com

A.A.S. - Business Technology



ADMINISTRATIVE PROGRAM SPECIALIST
Rosemarie Biscoe
rbiscoe@ffret.com

B.A. - Communication Studies

FRS Staff

QUESTIONS

